

COASTAL CONSERVANCY

Staff Recommendation
May 27, 2010

**HAMILTON WETLANDS RESTORATION PROJECT
IMPLEMENTATION**

Project No 94-003
Project Manager: Tom Gandesbery

RECOMMENDED ACTION: Authorization to disburse up to \$2,750,000 to the U.S. Army Corps of Engineers for implementation of the Hamilton Wetland Restoration Project.

LOCATION: Southeast Novato, adjacent to and between the Bel Marin Keys Unit V property, and the Las Gallinas Valley Sanitary District Property to the south, along the western margin of San Pablo Bay, Marin County.

PROGRAM CATEGORY: Resource Enhancement, San Francisco Bay Area Conservancy

EXHIBITS

Exhibit 1: February 4, 2010 Staff Recommendation

RESOLUTION AND FINDINGS:

Staff recommends that the State Coastal Conservancy adopt the following resolution pursuant to Chapters 4.5 and 6 of Division 21 of the Public Resources Code:

“The State Coastal Conservancy hereby:

Authorizes the disbursement of an amount not to exceed two million seven hundred fifty thousand dollars (\$2,750,000) to the U.S. Army Corps of Engineers for implementation of the Hamilton Wetlands Restoration Project.”

Staff further recommends that the Conservancy adopt the following findings:

“Based on the accompanying staff report and attached exhibit, the State Coastal Conservancy hereby finds that:

1. The proposed authorization is consistent with the Project Selection Criteria and Guidelines last updated by the Conservancy on June 4, 2009.
2. The proposed authorization is consistent with the purposes and objectives of Chapter 4.5 of Division 21 of the Public Resources Code, regarding restoration and enhancement of natural habitats in the San Francisco Bay Area and public access improvements to and around the

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Bay, and with Chapter 6 of Division 21, concerning the enhancement of coastal and bay resources.”

PROJECT SUMMARY:

On November 4, 2009, the U.S. Army Corps of Engineers (“Corps”) requested that the Conservancy provide \$4,750,000 as its share of the costs of implementation of the Hamilton Wetland Restoration Project (“Project”) for federal fiscal year 2010. Conservancy staff initially proposed to satisfy this request by amending the Project Cooperation Agreement (“PCA”) for the Project to add Bel Marin Keys Unit V (“BMKV”), which would enable the Conservancy to obtain a credit toward its cost share in the amount of the value of the BMKV property. On February 4, 2010, the Conservancy Board authorized its Executive Officer to amend the PCA to add BMKV. At the same time, the Board approved the disbursement of up to \$2,500,000 to implement the Project, which could be used either to partially satisfy this year’s cost share obligation in conjunction with the land credit or for Conservancy costs relating to work on BMKV. However, the PCA amendment has not been executed due to ongoing negotiations between the Conservancy and Corps concerning several issues, most notably the Corps’s decision to raise the Conservancy’s cost-share from 25 to 35 percent of Project costs. As a result, the value of the BMKV lands cannot yet be credited towards the Conservancy’s current cost share obligation.

Since the February 4, 2010 Board meeting, Conservancy staff has been working with the Corps to refine the work program for the current wetland restoration project (Hamilton Airfield and the North Antenna Field, referred to collectively as the Airfield) as well as the expanded project (with BMKV added under the amended PCA). Staff is in the process of providing \$2,000,000 of the previously approved funds to the Corps as part of the Conservancy’s obligation to provide \$4,750,000 for this federal fiscal year under the existing PCA. The funding will ensure that the operations on the Hamilton site are maintained and that \$6,000,000 of federal funding can be expended on the project this year. The remaining \$500,000 of previously authorized funds is being reserved for expenditure on Conservancy contracts related to BMKV design, emergency levee repairs on BMKV or other actions necessary to implement the Project. Since the Conservancy approved disbursement of \$2,500,000 in February to implement the Project, the State has successfully sold general obligation bonds in amounts sufficient to “restart” existing projects, as well as consider new grants and contracts. Therefore staff is recommending that the Conservancy authorize an additional \$2,750,000 toward implementation of the Project so that the Conservancy can pay its full federal fiscal year 2010 cost share of \$4,750,000 in cash. Authorization of \$2,750,000 will allow the entire federal appropriation of \$14,250,000 to be applied to the project.

Benefits of Current Authorization

Authorizing the additional \$2,750,000 on the Project at this time is critical to: 1) securing millions of dollars in federal funding for the Project, 2) ensuring beneficial reuse of sediments that will be dredged from San Francisco Bay and 3) ensuring completion of restoration of the Airfield segment of the Project.

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If the Conservancy does not contribute \$2,750,000 to the Project, the Conservancy will not be able to provide its full cost share for the current federal fiscal year and, as a result, the Corps will not be able to access the full \$14,250,000 of federal funding appropriated this fiscal year.

Funding the entire non-federal share for fiscal year 2010 will allow the Corps to complete work on major and critical elements of the Project. The existing Hamilton Project has received about 5.9 million cubic yards of sediment since inception of the offloading system in 2006, which represents about 80% of the material needed to completely fill the Hamilton Airfield site. Depending upon dredging schedules, there is a strong potential that the Airfield could be essentially brought to capacity at the end of this dredging season. In addition to accepting dredged material from several ports in the San Francisco Bay, the Corps may be able to begin final design and construction of portions of the Bay Trail, which is required public access under its BCDC permit, and do the final site grading and begin the planting of hundreds of acres of the Hamilton Airfield site with native plants (which necessitates the installation of a greenhouse facility). If the PCA amendment is signed before the end of the federal fiscal year, the Corps could also use the Conservancy's cost share and its full federal funding to begin work on design and site preparation on BMKV. The Conservancy's credit for the land value of BMKV could then be applied to the Conservancy's cost share for federal fiscal year 2011.

Site Description: See Exhibit 1

Project History: See Exhibit 1.

PROJECT FINANCING

Federal Fiscal Year 2010

Conservancy –February 4, 2010	\$ 2,000,000
Conservancy – May 27, 2010	\$ 2,750,000
Corps	\$14,250,000
Total	\$19,000,000

Conservancy funding for the proposed disbursement is expected to be provided by a FY08 appropriation of the "Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006" (Proposition 84). Public Resources Code section 75001, et seq. This funding source may be used for projects that protect and restore the natural habitat values of coastal waters and lands and are consistent with Chapter 4.5 (the San Francisco Bay Area Program) of the Conservancy's enabling legislation. Public Resources Code Section 75060(c). Thus, these funds are appropriate for the Hamilton project, which is restoring coastal wetland habitat and is consistent with Chapter 4.5 of the Conservancy's enabling legislation (as described in Exhibit 1). In addition, use of Proposition 84 funds for this project is consistent with the Proposition 84 requirement to give priority to restoration projects that meet certain criteria because this project will create new, and enhance existing, wildlife corridors between protected habitats located at China Camp (owned and managed by the State Department of Parks and Recreation) to the south and to marsh areas within the San Pablo Bay National Wildlife Refuge (managed by the U.S. Fish and Wildlife Service) to the north, and will make use of a substantial non-state funding match that will be used to implement the project, *i.e.*, the funding from the Corps. See Public Resources Code section 75071.

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For additional Project Financing information, see Exhibit 1: February 1, 2010 Staff Recommendation.

Cost-share Policy

As the non-Federal sponsor of a congressionally authorized civil works project, the Conservancy must pay 25% of the cost to design and construct restoration features, and 50% of the cost to design and construct recreational features, as well as provide all of the lands, easements, rights of way, and relocations required to implement the Project (which count as part of the required cost share).

Expenditures

To date, the Corps has expended about \$56,000,000 (of federal and state funding) on the Project. The main expenses were levee construction, the incremental cost to offload sediment and project staffing. The Corps estimates that an additional \$10,000,000 to \$20,000,000 of expenses remain before the restoration of the Airfield is complete. Staff will continue to work with the Corps to refine the budget for fiscal year 2010 and beyond and to find efficiencies that will lead to a lower overall cost-to-complete. Budgeting for this Project has been challenging for a number of reasons, including a reliance on a dynamic supply of dredged material, a fluctuating federal funding stream, constraints on contracting, and escalating construction costs.

CONSISTENCY WITH CONSERVANCY'S ENABLING LEGISLATION:

See Exhibit 1

**CONSISTENCY WITH CONSERVANCY'S 2007
STRATEGIC PLAN GOAL(S) & OBJECTIVE(S):**

See Exhibit 1

**CONSISTENCY WITH CONSERVANCY'S
PROJECT SELECTION CRITERIA & GUIDELINES:**

See Exhibit 1

CONSISTENCY WITH SAN FRANCISCO BAY PLAN:

See Exhibit 1

COMPLIANCE WITH CEQA:

On June 25, 2001, the Conservancy certified the Hamilton Wetland Restoration Plan Volume II EIR/EIS and approved the Feasibility Report. On June 16, 2005, the Conservancy certified the Final Supplemental Environmental Impact Report / Environmental Impact Statement for the Bel Marin Keys Unit V Expansion of the Hamilton Wetland Restoration Project and approved modifications to the Hamilton Wetland Restoration Plan to incorporate BMKV. The expenditure of \$2.75 million for the Project allows implementation of the approved Hamilton Wetland Restoration Plan to continue and satisfies the Conservancy's obligations under the existing PCA.